



ABSTAINERS' INSURANCE COMPANY
24 PEEL ST., SIMCOE, ONT. BOX 400.

ANNUAL REPORT 1975

OFFICERS

S. R. Bernardo, Chairman of the Board
C. A. Blair, President & Managing Director
R. G. Groom, Q.C., Vice-President
R. S. Mills, Q.C., Secretary
S. M. Fletcher, Treasurer

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DIRECTORS

S. R. Bernardo
C. A. Blair
J. H. Disher
S. M. Fletcher
R. G. Groom, Q.C.

J. D. McNie
R. S. Mills, Q.C.
A. M. Waters
J. G. Webb
P. L. Wilson

PRESIDENT'S REPORT

to the Shareholders of Abstainers' Insurance Company:

1975 proved to be a year of real opportunity for Abstainers' Insurance Company. Because of serious underwriting losses in the industry in 1974, many companies were forced to restrain their writings in 1975. Hence your Company was able to take advantage of this situation, and experienced an unusual growth rate of 44% in premiums written, to \$5,697,408 from \$3,951,706, of which well over half was due to increased rates and the balance in real growth in numbers of policies and renewals issued. In the Province of Alberta alone, where the market was more restricted than in Ontario, our volume of premiums written increased by 80% to nearly one million dollars. Fortunately, while auto premiums exceeded 1974 by 42%, the Company's property premiums grew by 56%, and now represent 11.5% of the total portfolio of business in comparison to 10.6% in 1974.

In spite of this rapid growth in premiums, and with inflation still rampant, the Company was able to maintain its loss ratio at 64.8% of earned premiums in comparison to 64.3% for both 1974 and 1973, and its expense ratio at 35% in comparison to 34.9% of earned premiums in 1974. Hence, a nominal underwriting profit of \$6,034 was earned. Well over a million dollars was added to our investment portfolio during 1975, and investment income increased by nearly 15% to \$398,892.

Taxes were down substantially partially due to an investment policy of weighting the portfolio towards tax-free dividends from top quality preferred and convertible preferred shares, and also to increased credits for tax purposes from substantially higher unearned premiums.

While a difference of \$225,560 between book and market value of stocks is shown as an unadmitted asset in a note to the statement, all of this but \$14,177 was regained on the market by the end of January, 1976. The difference between the market value and cost price of all investments as of January 25, 1976 was reduced to \$490,180, or 8.33% from \$750,967 at year end.

A more moderate rate of growth is anticipated in 1976, with renewed emphasis on property insurance.

C. A. Blair

C. A. BLAIR,
President &
Managing Director.

ABSTAINERS' INSURANCE COMPANY
(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT DECEMBER 31, 1975

ABSTAINERS' IN
STATEMENT
YEAR ENDED DEC

	1975	1974
ASSETS		
Cash	\$ 201,134	\$ 97,468
Accounts receivable	62,724	39,778
Investments (note 2)	6,334,562	5,143,611
Accrued interest on investments	55,062	85,144
Income taxes recoverable	56,115	
Trust funds for claims of reinsurers	37,000	63,500
	<u>\$6,746,597</u>	<u>\$5,429,501</u>
LIABILITIES		
Provision for unsettled claims and adjusting costs	\$1,987,784	\$1,525,813
Accounts payable and accrued liabilities	158,326	108,491
Income taxes payable		103,150
Unearned premiums at 85%	2,204,378	1,557,711
Provision for unsettled claims of reinsurers	37,000	63,500
	<u>4,387,488</u>	<u>3,358,665</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
2,000 5% Cumulative preference shares redeemable at par value of \$100 each		
300,000 Common shares of a par value of \$1 each		
Issued		
2,000 Preference shares	200,000	200,000
126,614 Common shares	<u>126,614</u>	<u>126,614</u>
	326,614	326,614
CONTRIBUTED SURPLUS	457,104	457,104
RETAINED EARNINGS	<u>1,575,391</u>	<u>1,287,118</u>
	<u>2,359,109</u>	<u>2,070,836</u>
	<u>\$6,746,597</u>	<u>\$5,429,501</u>

GROSS PREMIUMS WRITTEN
PREMIUMS RETAINED, after reinsurance
PREMIUMS EARNED
EXPENSES
Claims and adjusting costs
Commissions
Salaries and employee benefits
Other expenses
UNDERWRITING PROFIT
Investment income
Gain on sale of investments

Provision for income taxes
NET INCOME
EARNINGS PER SHARE - after dividends on preference shares

STATEMENT OF RE
YEAR ENDED DEC

Approved by the Board

C. A. Blair Director
C.A. Blair
S.M. Fletcher Director
S.M. Fletcher

RETAINED EARNINGS AT BEGINNING OF YEAR
Net income
Dividends paid, including dividends on preference shares of \$10,000
RETAINED EARNINGS AT END OF YEAR

ABSTAINERS' IN
NOTES TO FINANCIAL STATEMENT

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles prescribed or permitted by the Ontario Department of Insurance. However, in certain respects, as explained below, they are not in conformity with generally accepted accounting principles.

- The costs of acquiring new business are written off as expenses in the year incurred. Fifteen percent of the unearned premiums at the end of each year are included in income as an offset to the costs related to the acquisition of these premiums.
- The income tax charge against operations and the related liability are determined using the "taxes payable" method.

NCE COMPANY

INCOME

R 31, 1975

<u>1975</u>	<u>1974</u>
<u>\$5,697,408</u>	<u>\$3,951,706</u>
<u>\$5,452,238</u>	<u>\$3,842,685</u>
<u>\$4,805,571</u>	<u>\$3,639,509</u>
3,117,575	2,340,520
920,481	646,499
306,319	244,124
455,162	378,016
<u>4,799,537</u>	<u>3,609,159</u>
<u>6,034</u>	<u>30,350</u>
396,912	343,681
<u>1,980</u>	<u>4,269</u>
<u>398,892</u>	<u>347,950</u>
<u>404,926</u>	<u>378,300</u>
<u>75,000</u>	<u>147,000</u>
<u>\$ 329,926</u>	<u>\$ 231,300</u>
\$2.53	\$1.75

ED EARNINGS

R 31, 1975

<u>1975</u>	<u>1974</u>
<u>\$1,287,118</u>	<u>\$1,097,471</u>
<u>329,926</u>	<u>231,300</u>
<u>1,617,044</u>	<u>1,328,771</u>
<u>41,653</u>	<u>41,653</u>
<u>\$1,575,391</u>	<u>\$1,287,118</u>

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NCE COMPANY

AR ENDED DECEMBER 31, 1975

2. INVESTMENTS (quoted market value 1975 - \$5,583,595; 1974 - \$4,230,492)

	<u>1975</u>	<u>1974</u>
Bonds, at amortized cost	\$2,869,701	\$3,553,779
Preferred stocks, at cost	1,972,470	756,543
Common stocks, at cost	1,192,391	833,289
Short-term note	<u>300,000</u>	
	<u>\$6,334,562</u>	<u>\$5,143,611</u>

The difference between quoted market value and cost of preferred and common stocks was \$225,560 as at December 31, 1975. This amount is an unadmitted asset under the provisions of The Insurance Act of Ontario.

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Abstainers' Insurance Company

We have examined the balance sheet of Abstainers' Insurance Company as at December 31, 1975 and the statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations for the year then ended, in accordance with accounting principles prescribed or permitted by the Ontario Department of Insurance, as set out in note 1, applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 22, 1976

Thorne Riddell & Co.
Chartered Accountants



ABSTAINERS' INSURANCE COMPANY, 24 Peel Street, Simcoe, Ontario

A Division of Maplex Management & Holdings Limited.